

**ASSEMBLY BILL**

**No. 2457**

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**Introduced by Assembly Member Salas**

February 19, 2010

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An act to add Division 22 (commencing with Section 70000) to the Financial Code, relating to financial literacy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2457, as introduced, Salas. California Financial Literacy Fund.

The California Constitution requires the Legislature to encourage the promotion of intellectual improvement. Existing law regulates financial institutions and their interactions with the public. Existing law recognizes the existence of specialized financial institutions that provide services, including, but not limited to, financial literacy training, to underserved communities.

This bill would establish the California Financial Literacy Fund in the State Treasury for the purpose of enabling partnerships with the financial services community and governmental and nongovernmental stakeholders to improve Californian's financial literacy. The bill would require the fund to be administered by the Controller and would authorize the Controller to deposit private donations into the fund from entities with no direct financial interest in any financial products. The bill would require those moneys to be made available upon appropriation in the annual Budget Act. The bill would require the Controller, beginning in 2012, to report to specified committees of the Legislature annually on or before August 30 on the use of those moneys appropriated from the fund.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares all of the  
2 following:

3     (a) The average American household consumer credit card debt  
4 is about eight thousand five hundred dollars (\$8,500).

5     (b) Forty-three percent of American families spend more than  
6 they earn, and data from the Federal Reserve states that Americans  
7 hold a total debt of \$1.9773 trillion, not including mortgage debt,  
8 averaging eighteen thousand six hundred fifty-four dollars  
9 (\$18,654) per household.

10    (c) As the mortgage crisis demonstrated, there is a severe  
11 shortage of affordable financial advisors to counsel middle and  
12 lower income Californians and advise them on how to plan when  
13 a fiscal crisis hits.

14    (d) Studies show that 60 percent of homeowners facing  
15 foreclosure did not know to reach out to their lenders, which has  
16 proven the best way to avoid foreclosure and foreclosure scams.

17    (e) The first quarter of 2008 reported 169,831 foreclosure filings  
18 in California, the highest in the country, at a rate of one in every  
19 78 households.

20    (f) High school seniors taking part in a national survey of  
21 financial knowledge scored an average of 48.3 percent, which is  
22 a failing grade.

23    (g) Undergraduate students reported their freshman year as the  
24 most prevalent time for obtaining credit cards, with 78 percent  
25 reporting that they obtained their first credit card at 18 years of  
26 age.

27    (h) Sixty-five percent of 18 to 19 year olds, the average age that  
28 college students reported getting their first credit card, failed a  
29 financial literacy test.

30    (i) Many groups are dedicated to increasing the financial literacy  
31 of Americans and a broad range of quality personal finance  
32 instructional materials and curricula have been created for this  
33 purpose.

34    (j) California does not have an official statewide policy or  
35 educational plan for the teaching of financial literacy.

36    (k) Financial literacy materials and resources exist in many  
37 forms but are not organized or collected in a systematic manner.

1 (l) The teaching of financial literacy skills is vital to equip the  
2 young people of California with the tools they need to enter the  
3 workforce.

4 SEC. 2. Division 22 (commencing with Section 70000) is added  
5 to the Financial Code, to read:

6  
7 DIVISION 22. CALIFORNIA FINANCIAL LITERACY  
8 FUND  
9

10 70000. For purposes of this division, “fund” means the  
11 California Financial Literacy Fund.

12 70001. (a) The California Financial Literacy Fund is hereby  
13 established in the State Treasury. The fund shall be administered  
14 by the Controller.

15 (b) The purpose of the fund shall be to enable partnerships with  
16 the financial services community and governmental and  
17 nongovernmental stakeholders to improve Californian’s financial  
18 literacy and to allow the Controller to develop and share financial  
19 literacy materials, as well as to connect resources not currently  
20 organized in a systematic manner.

21 70002. The Controller may accept private donations from  
22 entities with no direct financial interest in any financial products  
23 and deposit those donations into the fund, which shall be made  
24 available upon appropriation in the annual Budget Act.

25 70003. Beginning in 2012, the Controller shall provide to the  
26 respective chairpersons of the Assembly Committee on Banking  
27 and Finance and the Senate Committee on Banking, Finance and  
28 Insurance an annual report on the use of the funds, when  
29 appropriated. This report shall be submitted no later than August  
30 30 of each year.